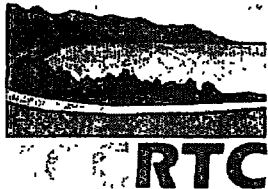


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**SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**

1523 Pacific Ave., Santa Cruz, CA 95060-3911 • (831) 460-3200 FAX (831) 460-3215 EMAIL [info@sccrtc.org](mailto:info@sccrtc.org)

March 1, 2012

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Ms. Cynthia T. Brown  
Chief, Section of Administration  
Office of Proceedings  
Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423

Re: Docket No. FD35491, Santa Cruz Regional Transportation Commission - Petition  
for Declaratory Order

Dear Ms. Brown:

In a decision served February 16, 2012, the Board authorized Sierra Northern Railway to withdraw its notice of exemption to acquire an operate a freight rail operating easement from Pacific Railroad (UPRR) over the Santa Cruz Branch Line in California. Given this withdrawal by the proposed operator, the Santa Cruz County Regional Transportation Commission ("the Commission") thought it would be appropriate to update the Board on the status of its purchase of the line from UPRR which is the subject of this proceeding.

In this proceeding the Commission, sought and received, a decision by the Board that its proposal to acquire the physical assets of the Santa Cruz Branch Line subject to a retained freight rail easement by UPRR, and to enter into an Administration Coordination and License Agreement (ACL Agreement) with the proposed operator, would not require Board authorization. Decision served December 15, 2011. In light of the withdrawal of Sierra Northern Railway, the Commission has not yet closed on the purchase of the physical assets.


The Commission remains committed to finalizing the purchase of the Santa Cruz Branch Line from UPRR.. The Commission anticipates that the UPRR property will be acquired once a new operator is designated by the Commission and the transaction with the new operator is approved by the Surface Transportation Board.

In that regard, the Commission has issued a Request for Proposals to solicit bids for a new operator of the line. Based on inquiries we have received prior to issuance of the RFP, we expect that there will be interest in operating the line by qualified operators. Proposals must be submitted to the Commission by March 28, 2012, a short list of candidates will be interviewed the week of April 16, 2012, and a new operator is expected to be selected by May 3, 2012. The new operator will need to file with the Board for authority to acquire and operate the freight rail easement.

Additionally, if there are changes to the ACL Agreement, the Commission will submit the revised Agreement to the Board for confirmation that the acquisition by Commission still does not require Board authorization. Swift consideration of this request, if required, will be important, as the Commission is in line to receive \$5 million from the California Transportation Commission for track improvements but will lose the funding if we are not in full possession of the line prior to December 5, 2012, the last meeting of the California Transportation Commission in 2012.

We are appreciative of the Board role in this process, and would be pleased to answer any questions the Board may have regarding this project, which we believe has the ability to bring exciting benefits to our region.

Sincerely,



George Dondero  
Executive Director

cc: Lucille Marvin, Surface Transportation Board